Research & Modeling 3-Part Project for Recommendation to the Board
Developed on behalf of the Finance & Funding (F&F) Committee
by
Lynn Hoffman, Board Chair, in consult with Connor Browne, Acting F&F Chairperson

Part I: Updating a sub-set of segmented employment data inputs from the BBER Task Force Report

Based on the analysis of employer and employee data c. 2017, the Task Force Report estimated approximately 336,000 New Mexican workers without workplace savings options would be served by the Work & Save Program.

1) What is the estimated target market for the Work & Save Marketplace and Default IRA program updated to 2020/21, taking into account population growth and trends in employment by segment?

2) What is the sub-set of data inputs relevant to Work & Save program design to be updated? e.g. breakdown of private sector employers/ees, non-profit employers/ees, and self-employed workers; industry segment date, NM county data, age distribution of workers, payroll data by period, etc. The key data inputs for employers and employees by segment with trends will be used to model projected AUM (assets under management) over a roll-out period of 1-5 years and over a growth period interval of 10, 15 and 20 years.

3) What are the key assumptions to be used to project employment trends over time? e.g., aging, turnover, re-employment data, unemployment or exits from work, etc., impact of new/growing industry sectors such as film production, cannabis, etc.

Part 2: Building a Work $ Save Accumulated AUM (Assets Under Management) Model Over Time (5, 10, 15 and 20 years): Secure Program Research Model

1) Using updated and segmented employment data and projected employment and payroll trends and integrating key program assumptions regarding participation rates, base and escalating savings rates, withdrawals, re-employment with portability of savings, retirement age, compounding investment returns, etc., what are the projected AUM levels over 5-, 10-, 15- and 20-year periods? Assumptions will be drawn from the experiences of three operating mandated IRA programs with consideration of the impact of a voluntary program as currently legislatively designed in NM. Note the factors highlighted in the Boston College Colorado study discounting potential employee participation to 43% of the target employee market (opt-out rates above 30%, 27% not participating for other reasons).

2) What are the projected program costs during development and roll-out using cost

information from implemented programs?   How are these costs spread over each year and over the projection period of twenty years?

3) With the projected AUM model over time, using a methodology and assumptions similar to the Boston College Colorado study, what are the fee revenues to be derived by the state sponsor, the administrator and financial services providers with different fee sharing assumptions?

4) What are the peak cumulative expenditure deficits (cost-fee participation revenues) for the state, administrator, and financial service firm providers.   What is the break-even projection for each?

Part 3: Modeling the Cost to the State of NM of Doing Nothing

1) What is the current (2020/21) savings gap as detailed in the BBER Task Force Report?

2) How will the gap grow over time without expansion of a workplace saving option as contemplated by Work $ Save?

3) What will be the impact on the NM State budget in funding safety net/enhanced social services for the retired population without adequate savings resources?
(Note: these budgetary cost impacts will be compared with the program funding requirements before break-even modeled in Part 2)